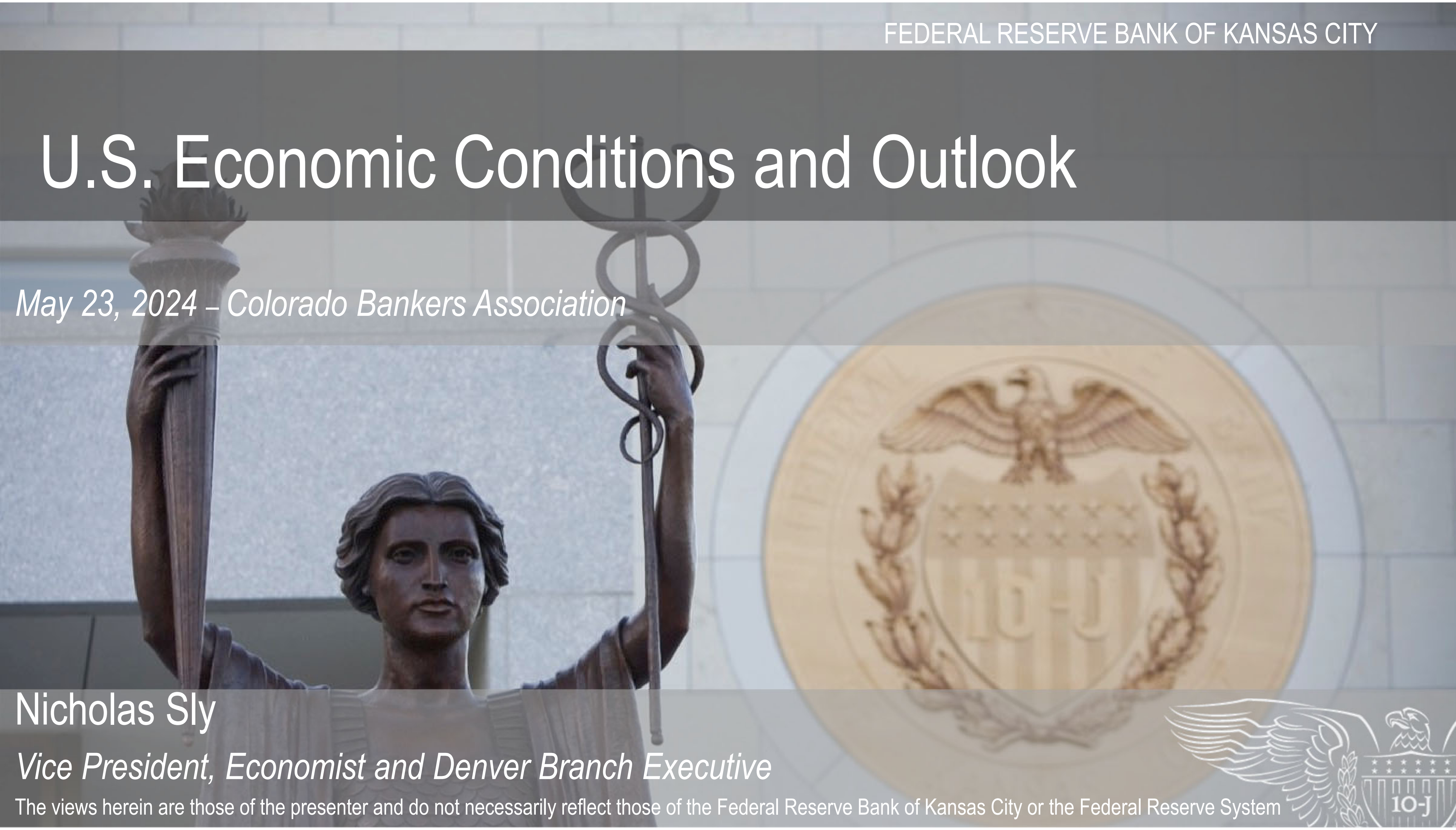


FEDERAL RESERVE BANK OF KANSAS CITY

U.S. Economic Conditions and Outlook

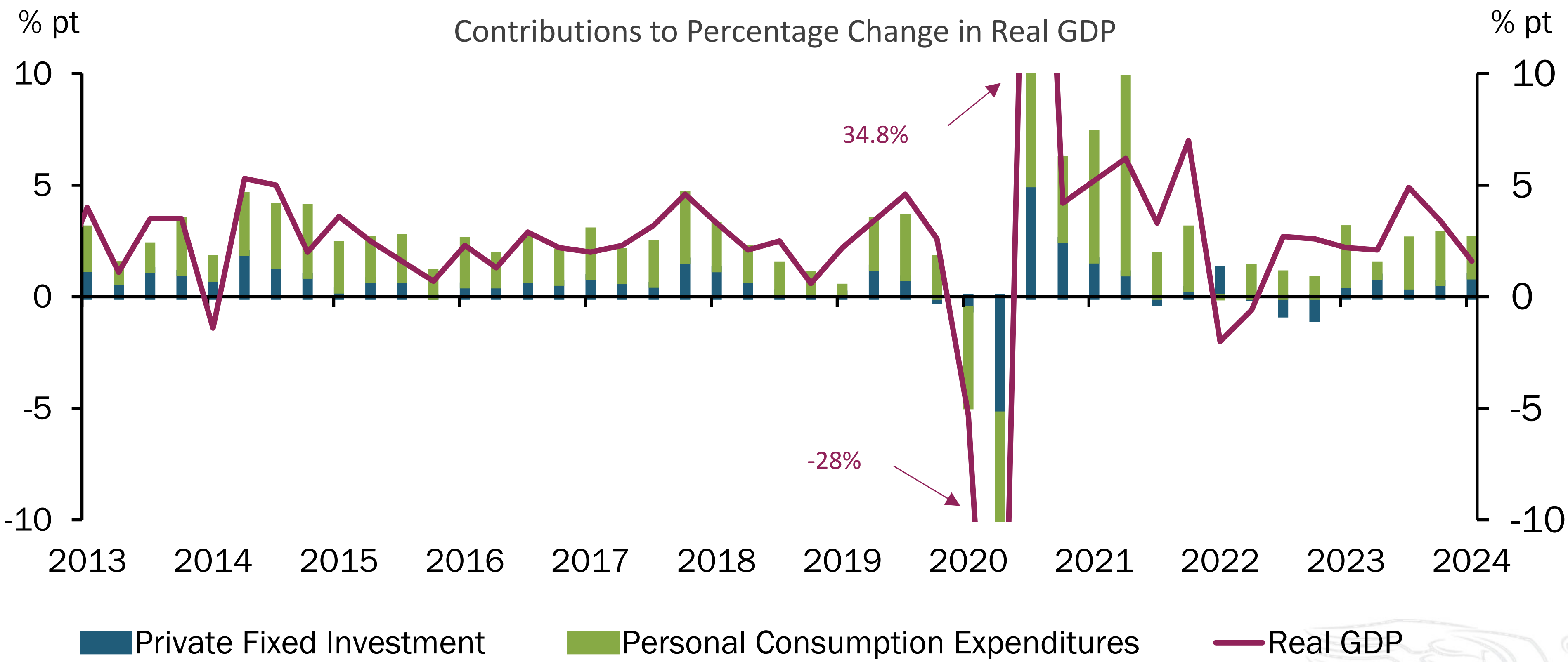
May 23, 2024 – Colorado Bankers Association

Nicholas Sly

Vice President, Economist and Denver Branch Executive

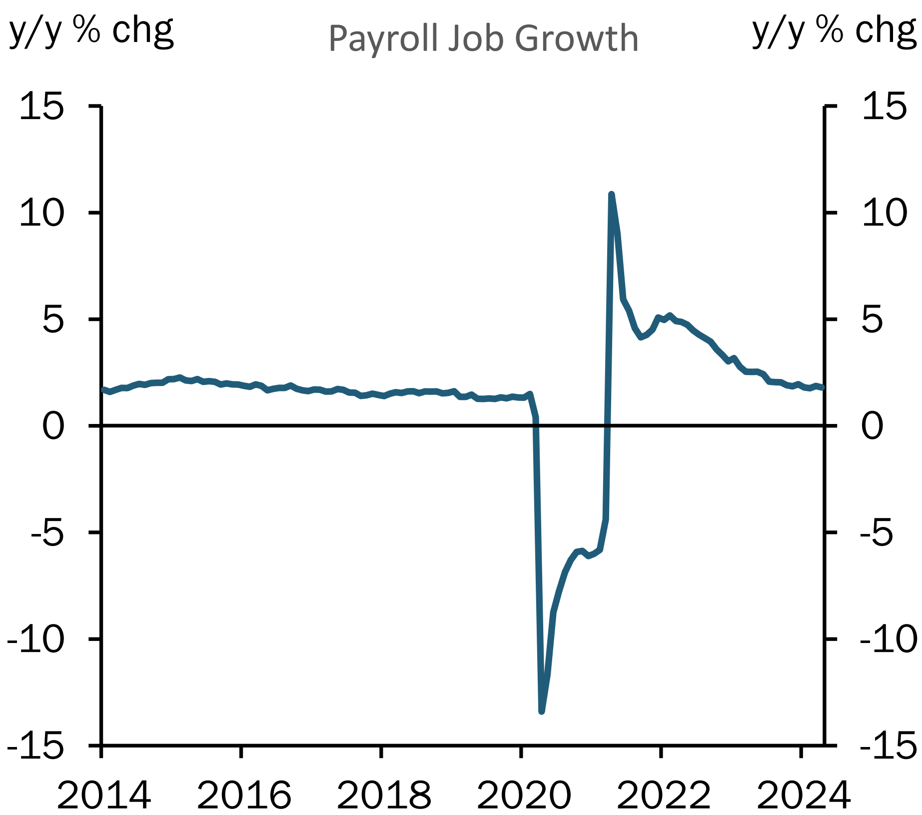
The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System

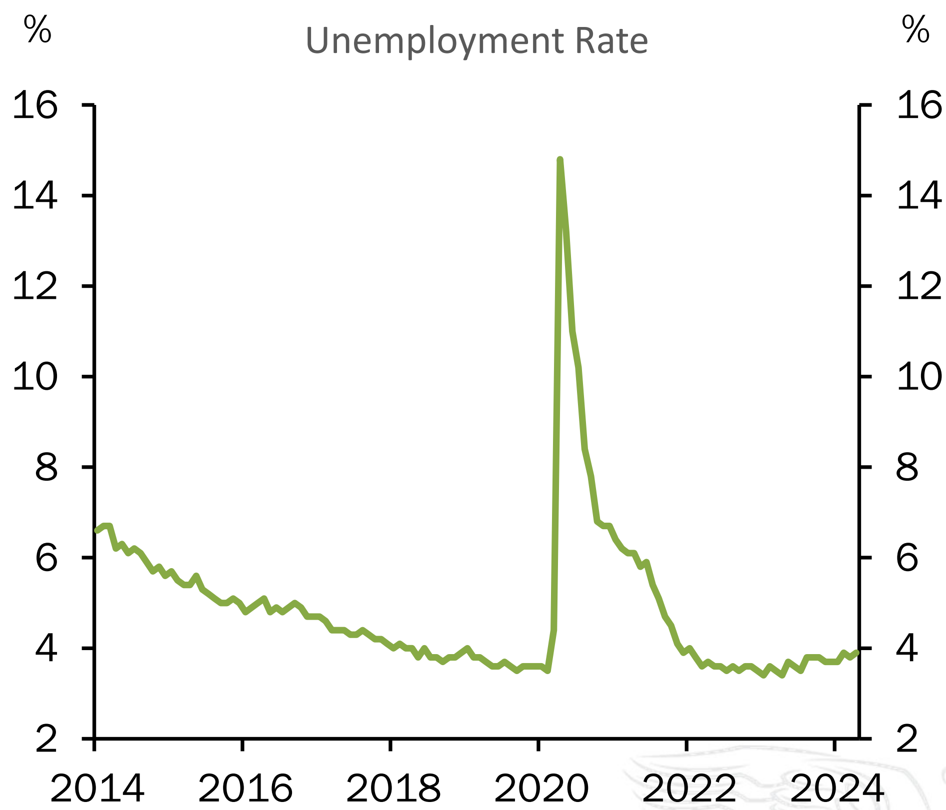
Consumer spending and business investment are fueling elevated growth for the U.S. economy



Source: BEA, Haver

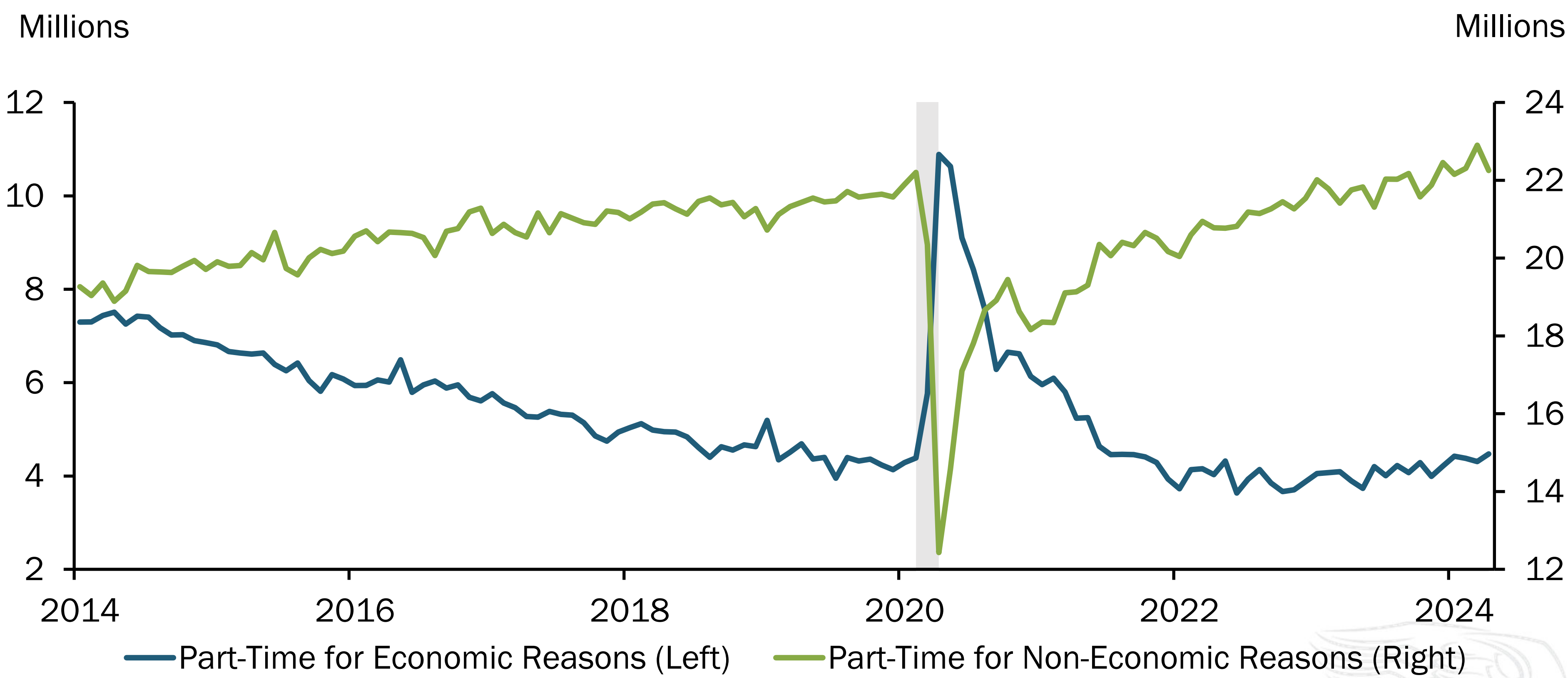
The pace of job gains remains above trend, and unemployment is low





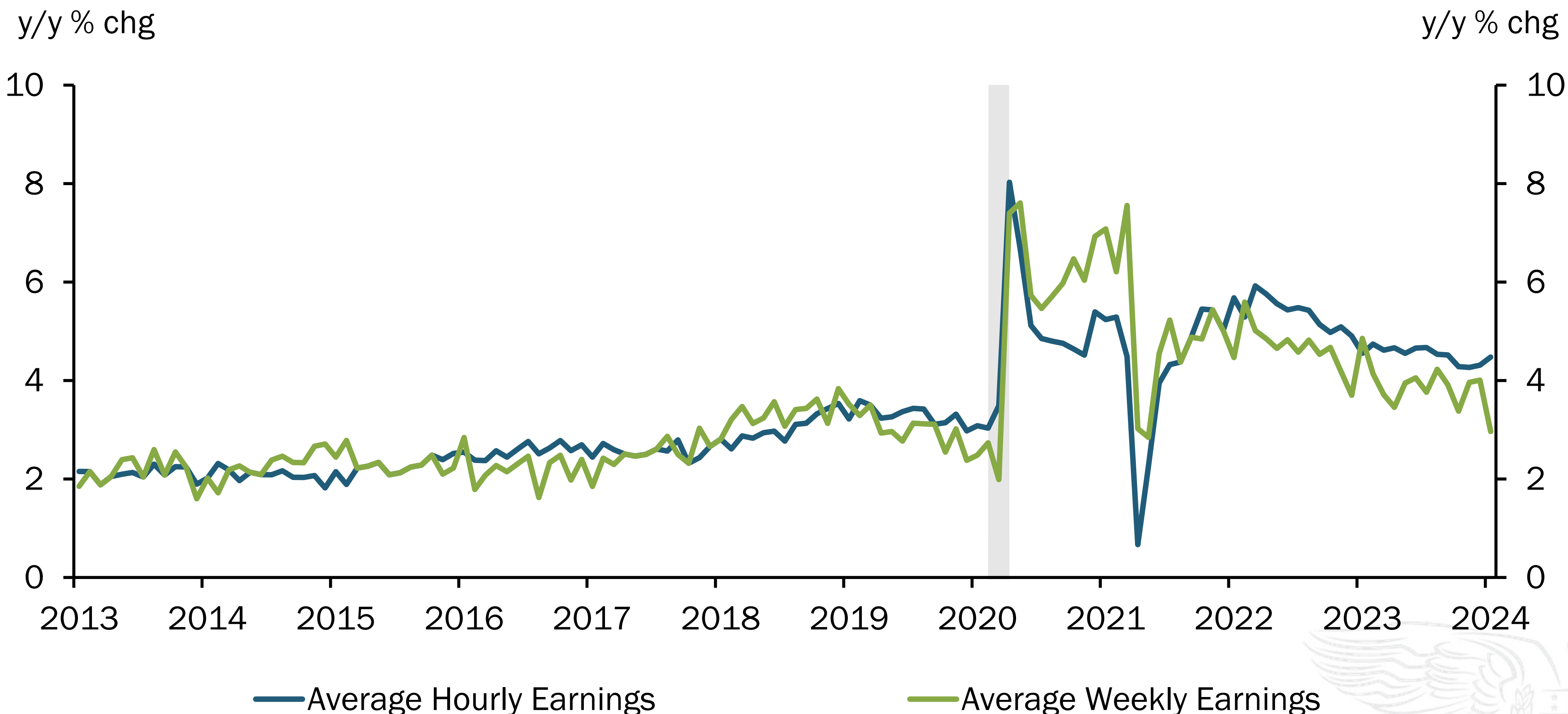
Source: BLS, Haver Analytics

The number of people working part-time because they cannot find full-time work remains subdued



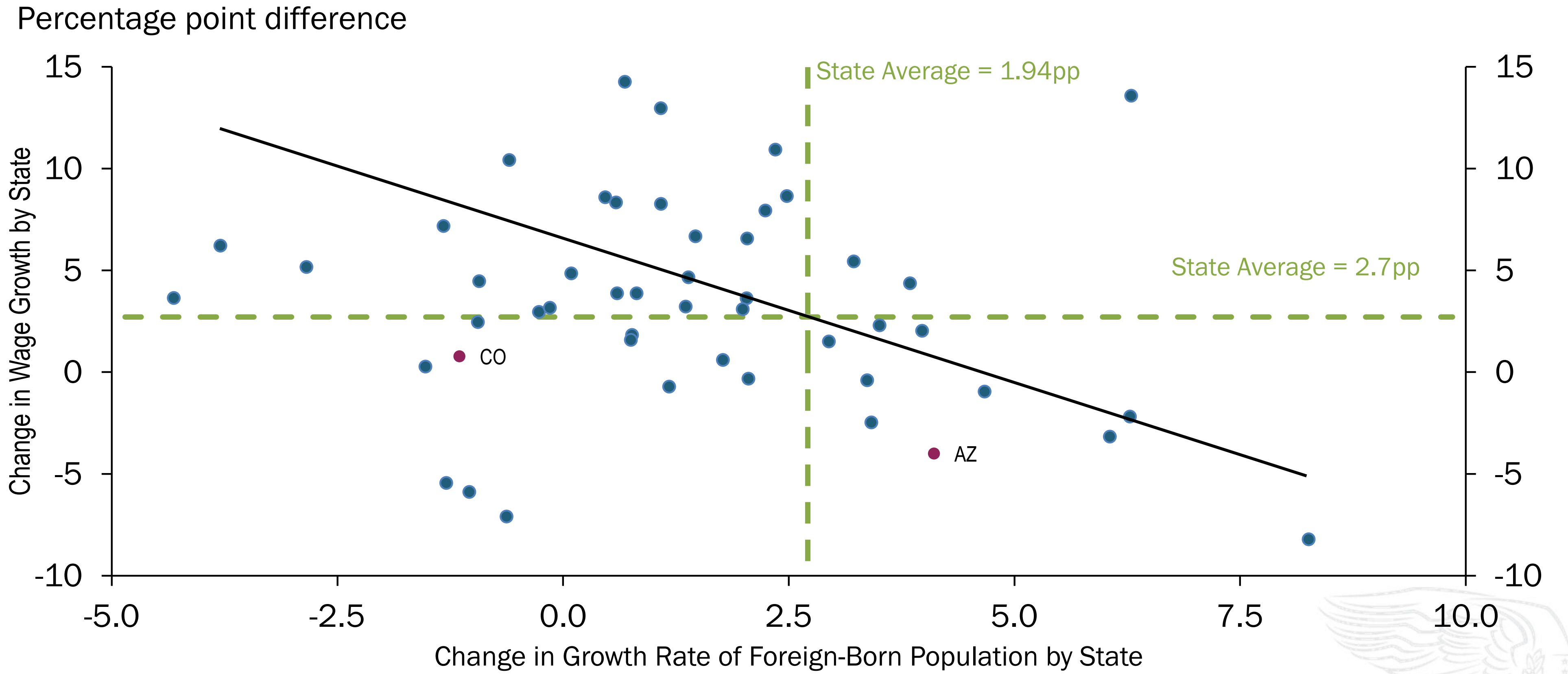
Source: BLS, Haver Analytics

Wage growth slowed significantly over the past year but remains somewhat elevated, consistent with higher worker productivity



Source: Atlanta Fed, Haver Analytics

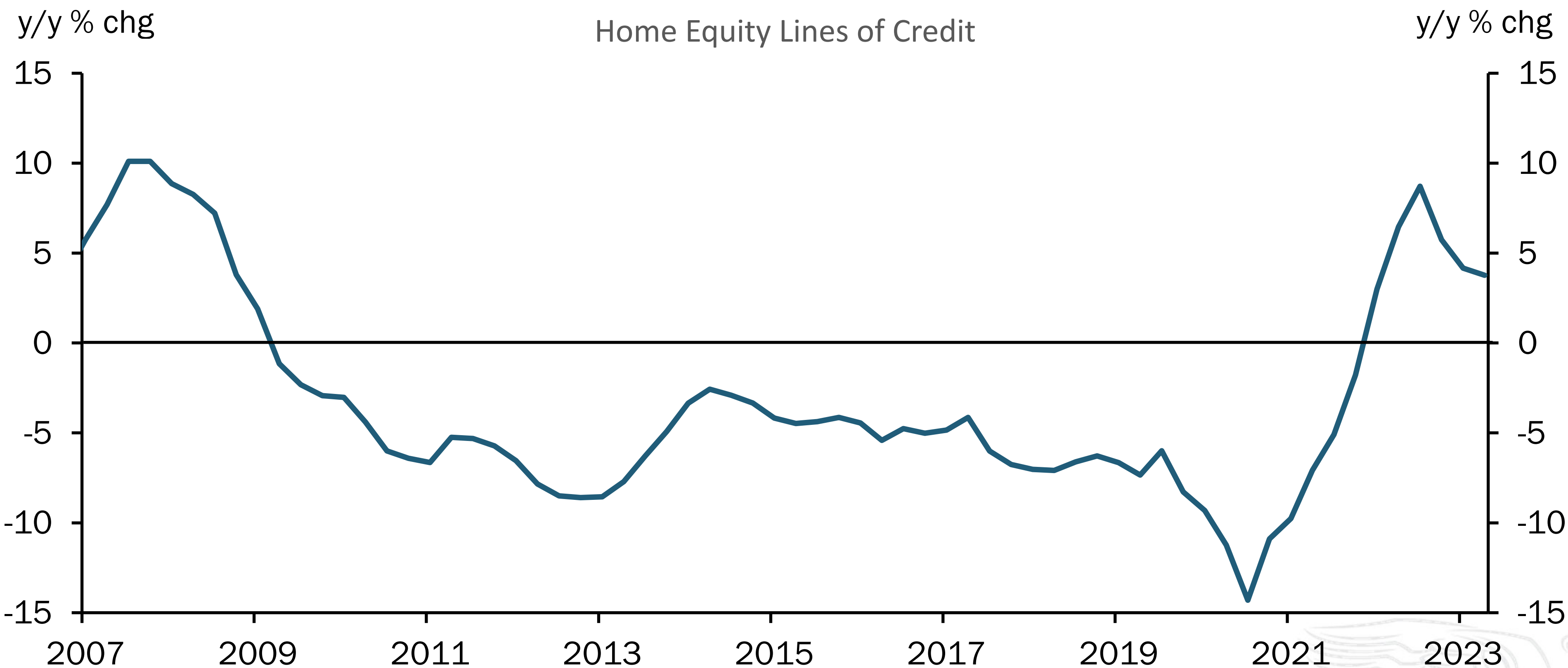
States with higher levels of immigration saw wage growth decelerate faster, but other factors drove wage growth where immigration was low



Source: KC Fed Staff, BLS

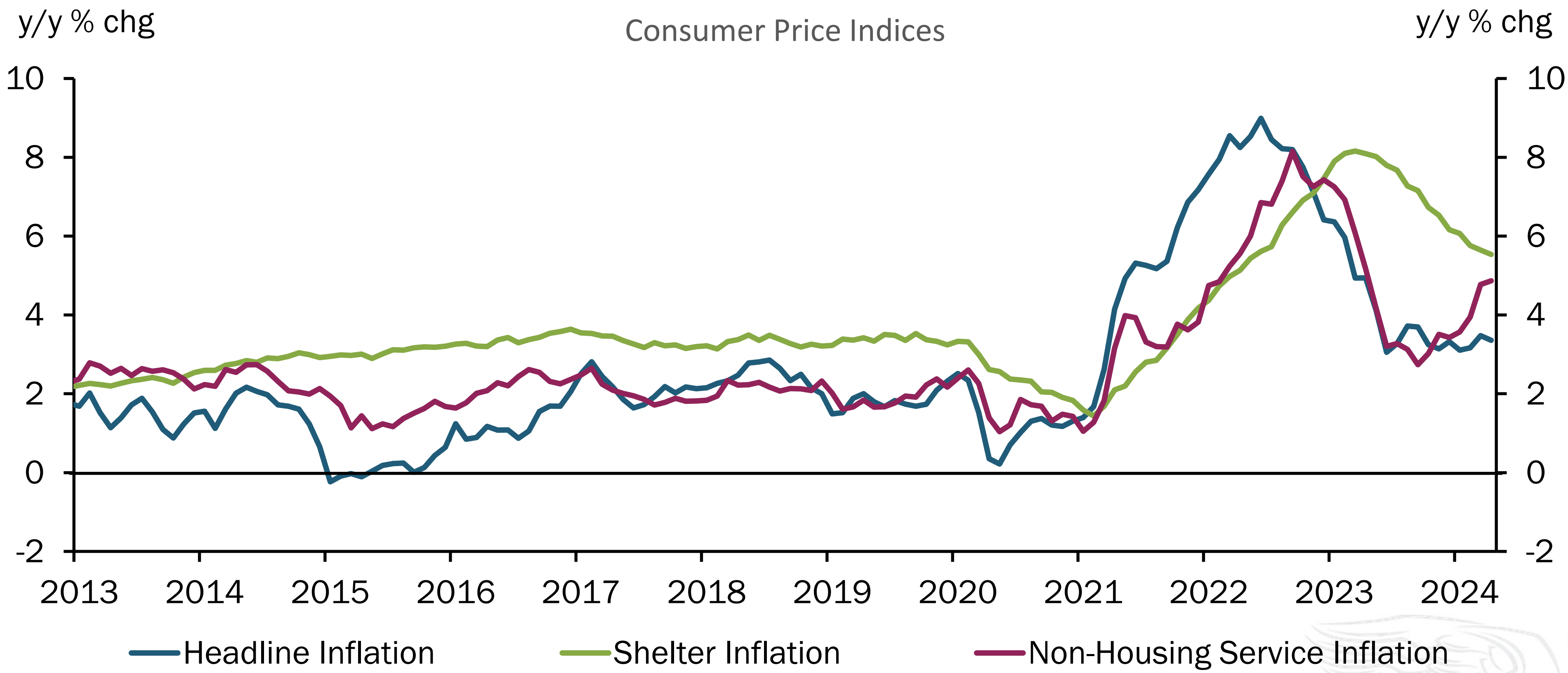
Note: Percentage point differences measure change in annual growth rate between 2020-21 and 2022-23

The use of home equity lines of credit has grown for the last two years



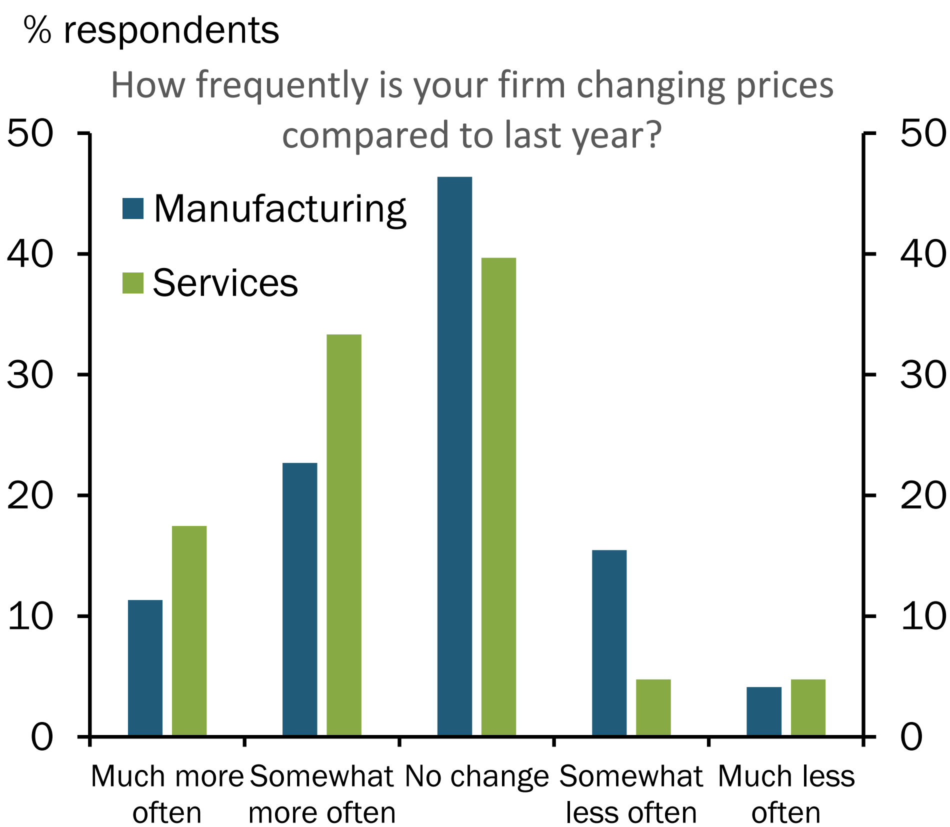
Source: Board of Governors, FRED

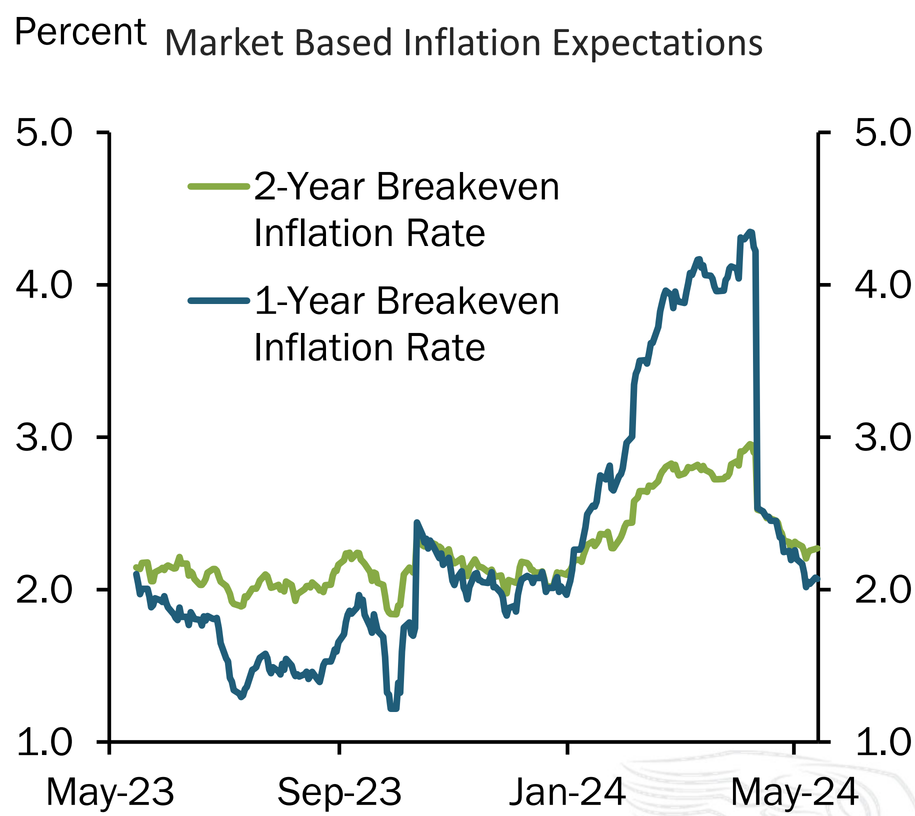
Although inflation pressures have lessened, they still show signs of being elevated persistently above the Fed's 2 percent target



Source: BLS, Haver Analytics

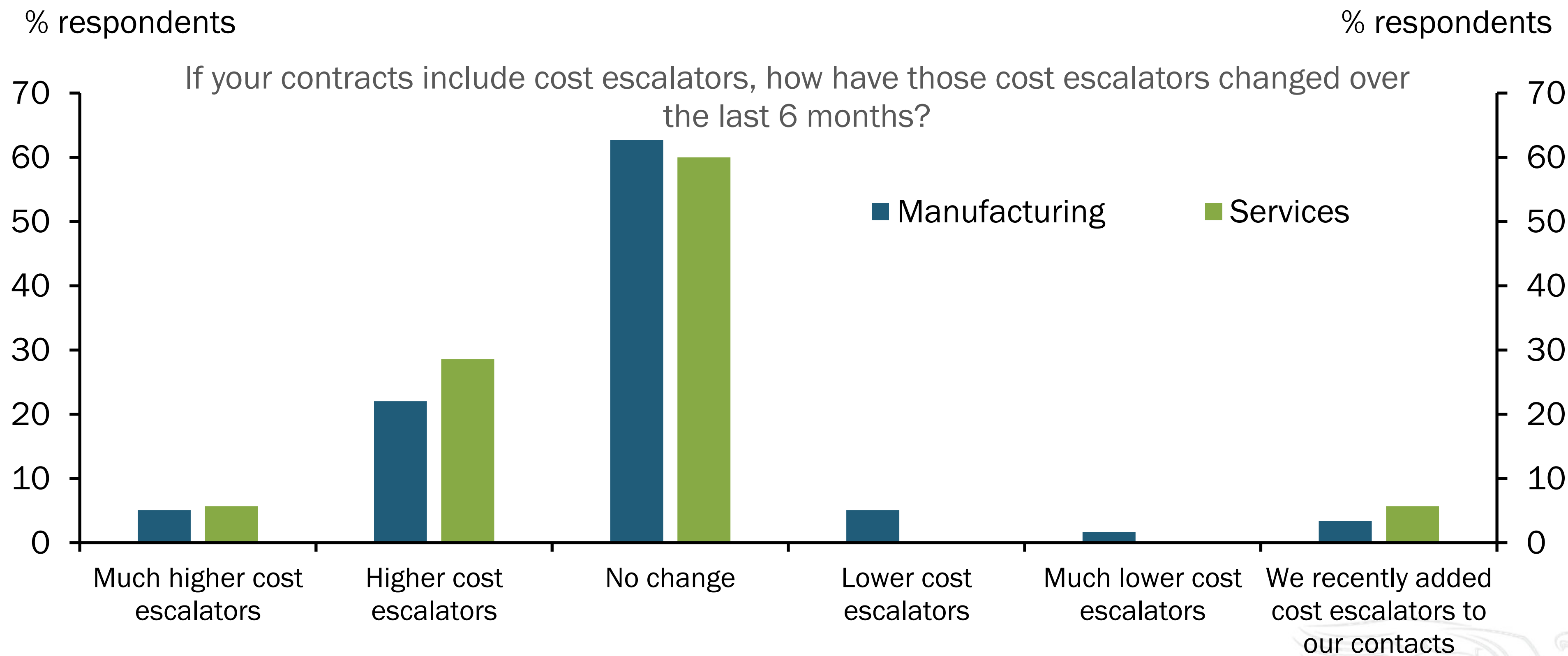
Businesses report that they are raising prices somewhat more frequently compared to last year, but expectations remain well-anchored





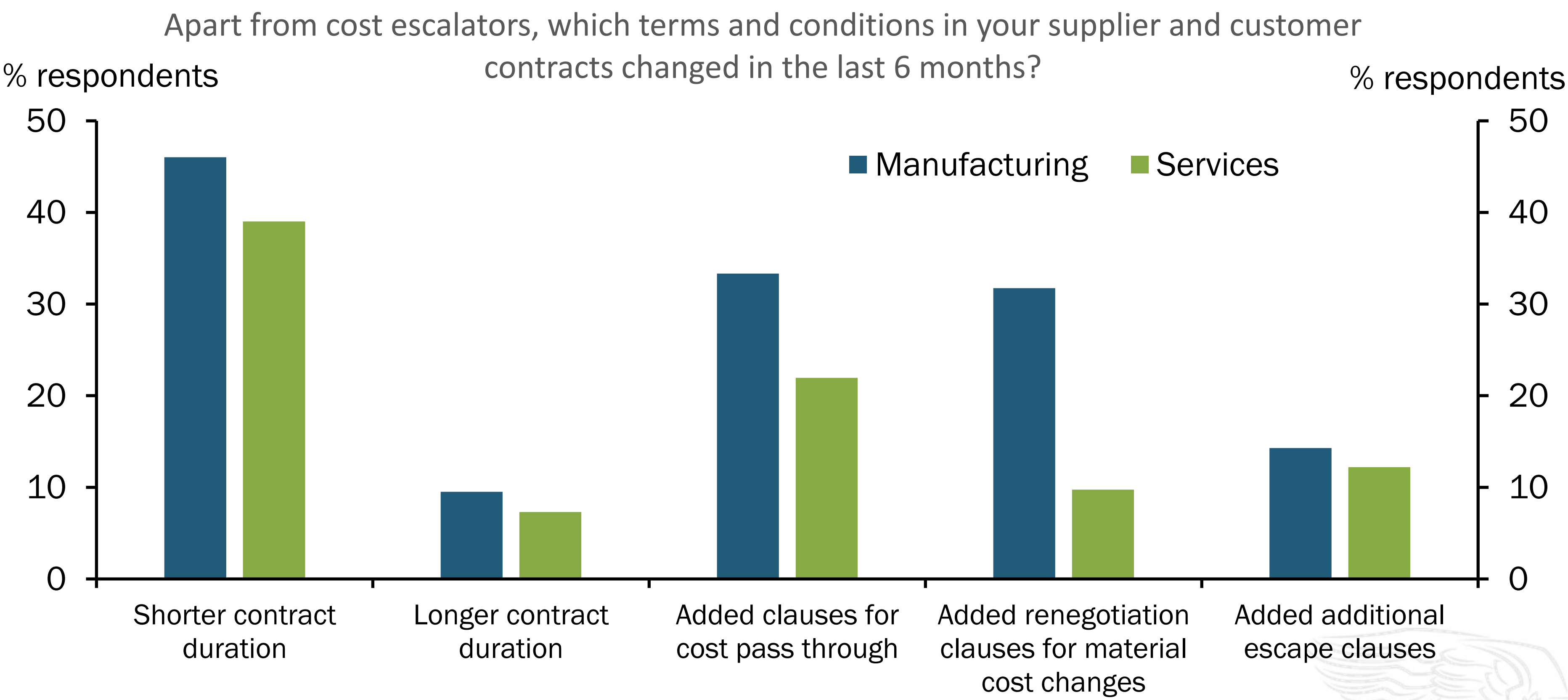
Source: KC Fed Surveys, Bloomberg

However, many businesses are adding higher escalator clauses to their contracts to protect against price growth



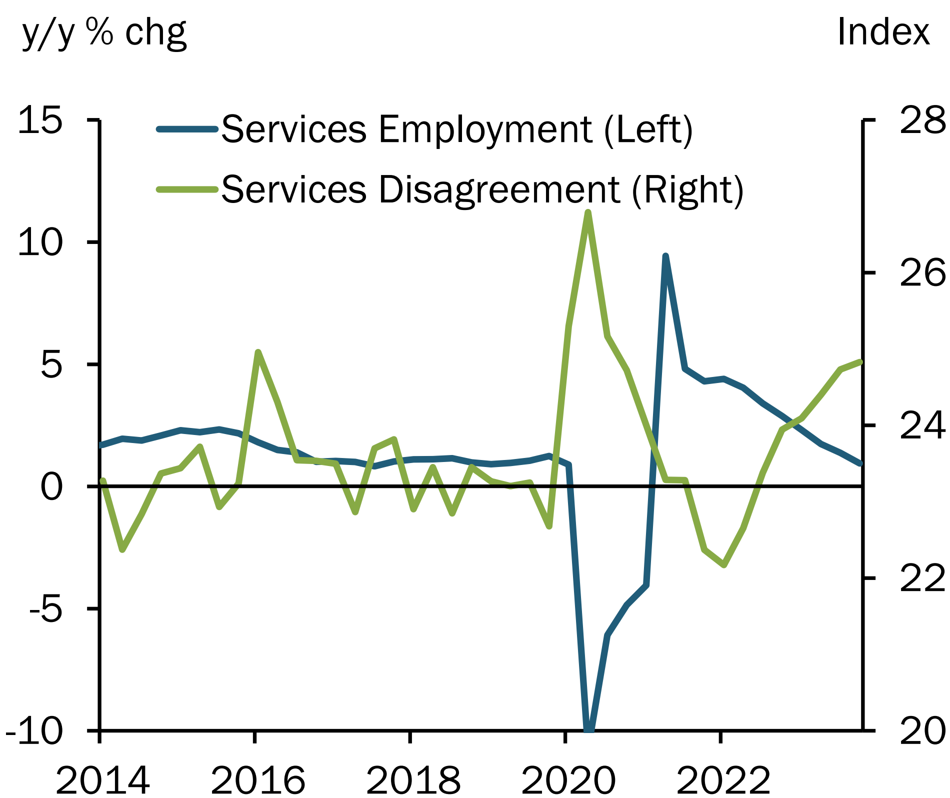
Source: KC Fed Surveys

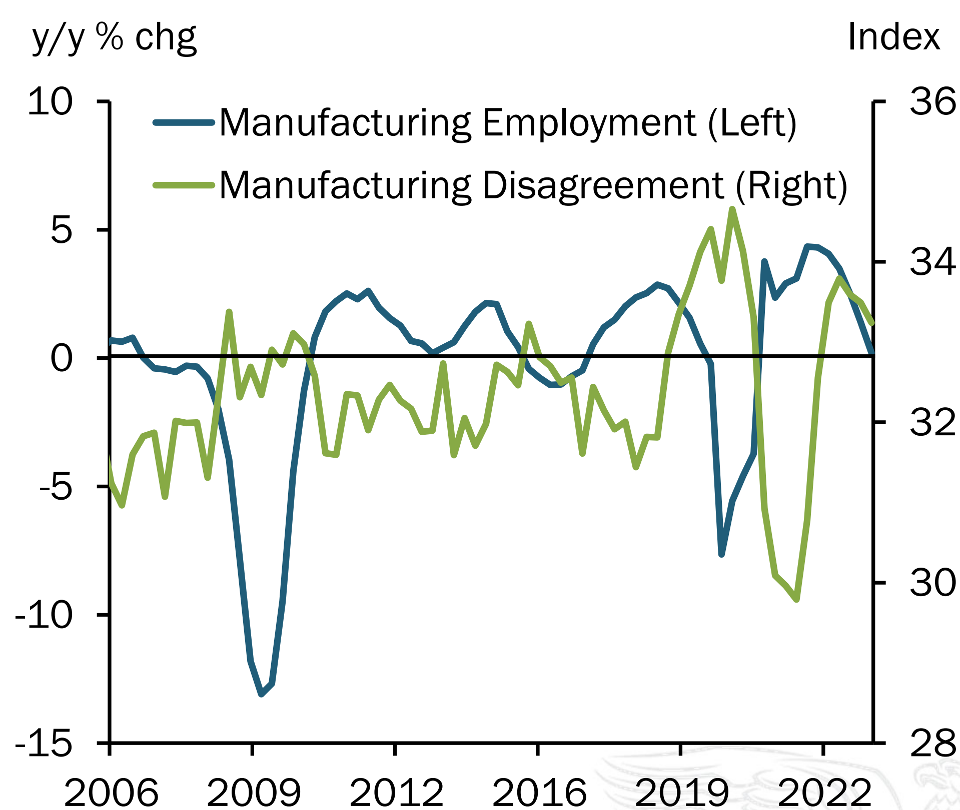
Businesses are also adding other clauses that allow for renegotiation and shorter contract durations



Source: KC Fed Surveys

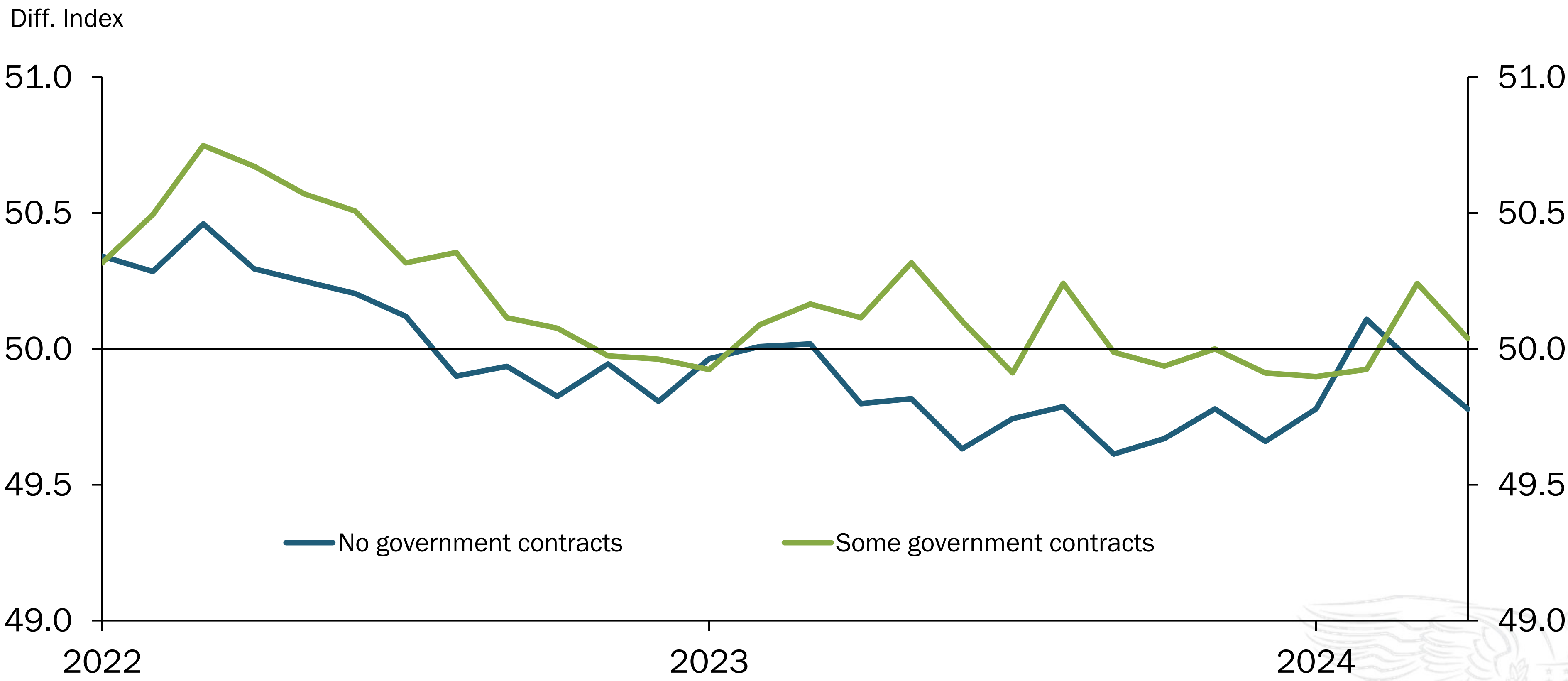
Business contacts are expressing lots of disagreement about the outlook, a circumstance that often precedes periods of softening employment





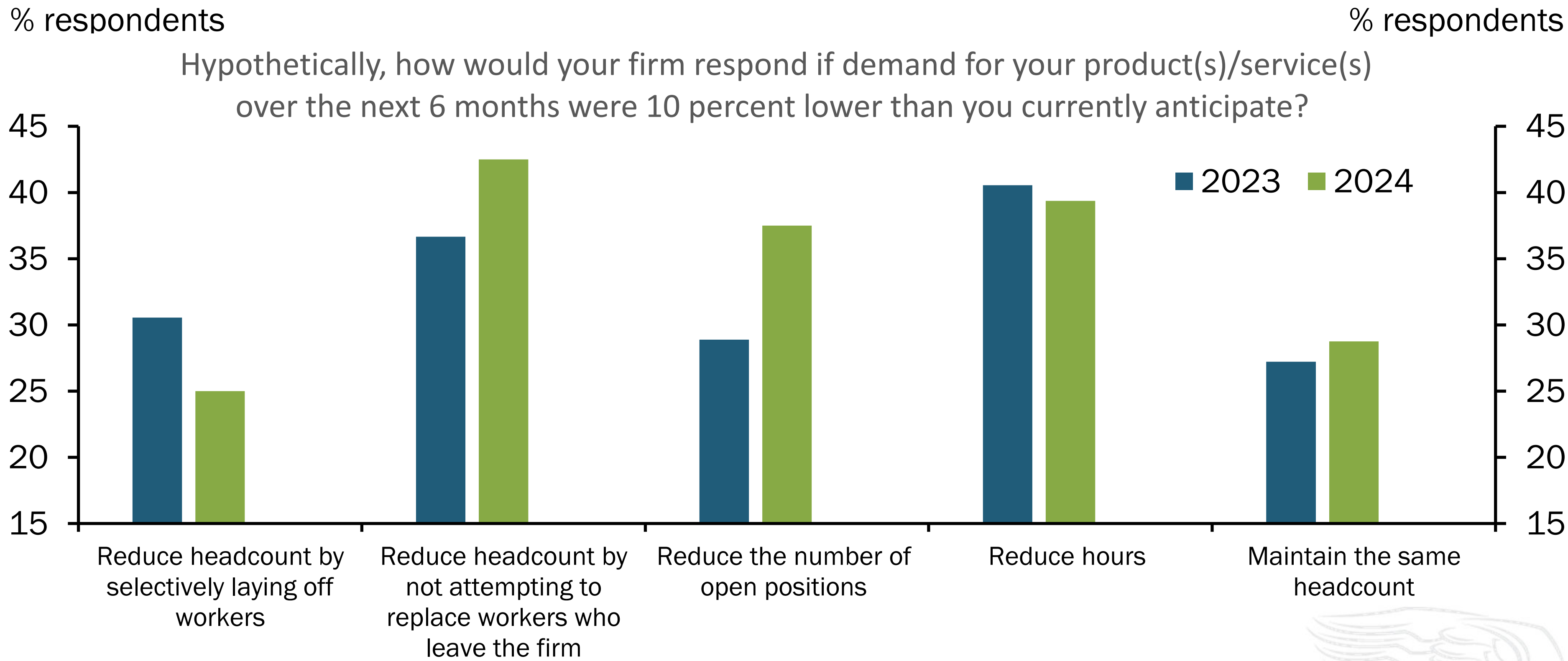
Source: KC Fed Beige Book Surveys, BLS, staff calculations, Haver

Some of that disagreement stems from differences in exposure to the stimulative effects of fiscal policy



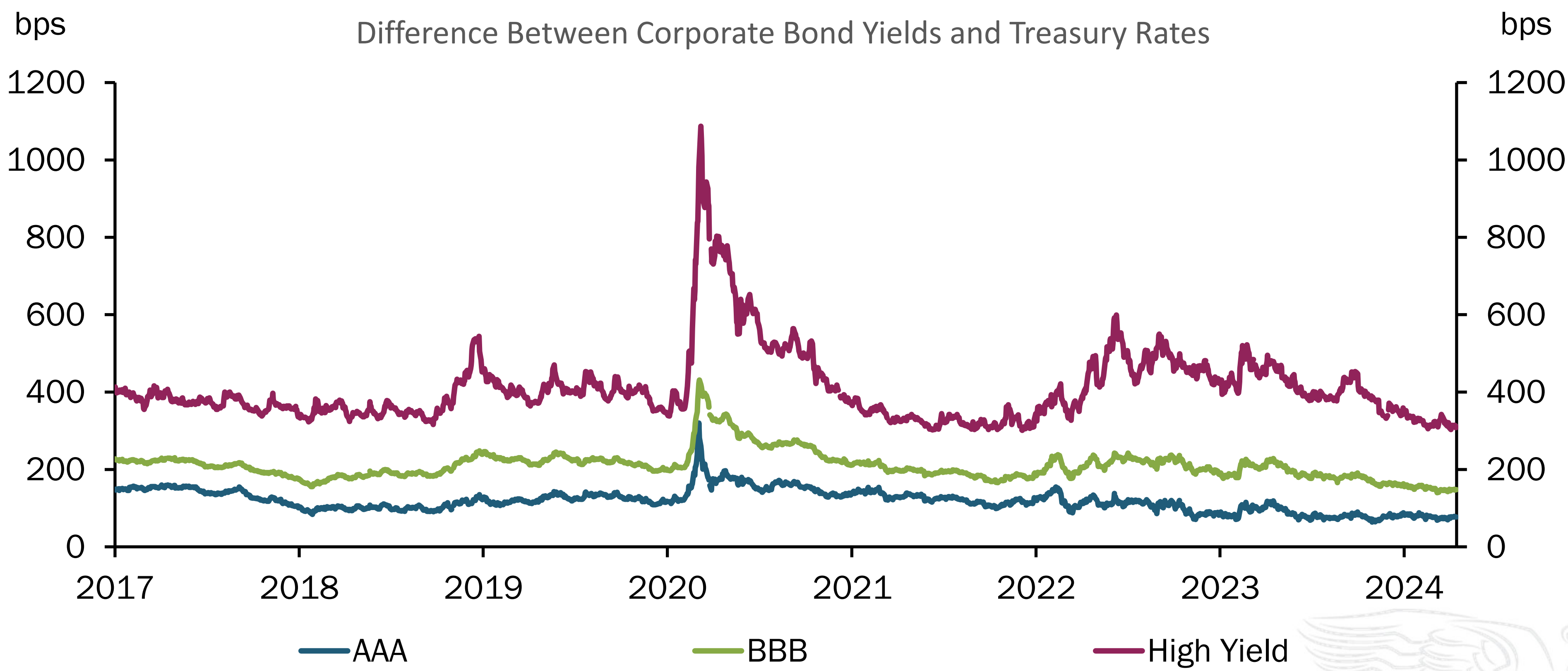
Source: KC Fed Surveys, staff calculations

Businesses report their employment outlooks are less vulnerable to a deterioration in conditions compared to 6 months ago



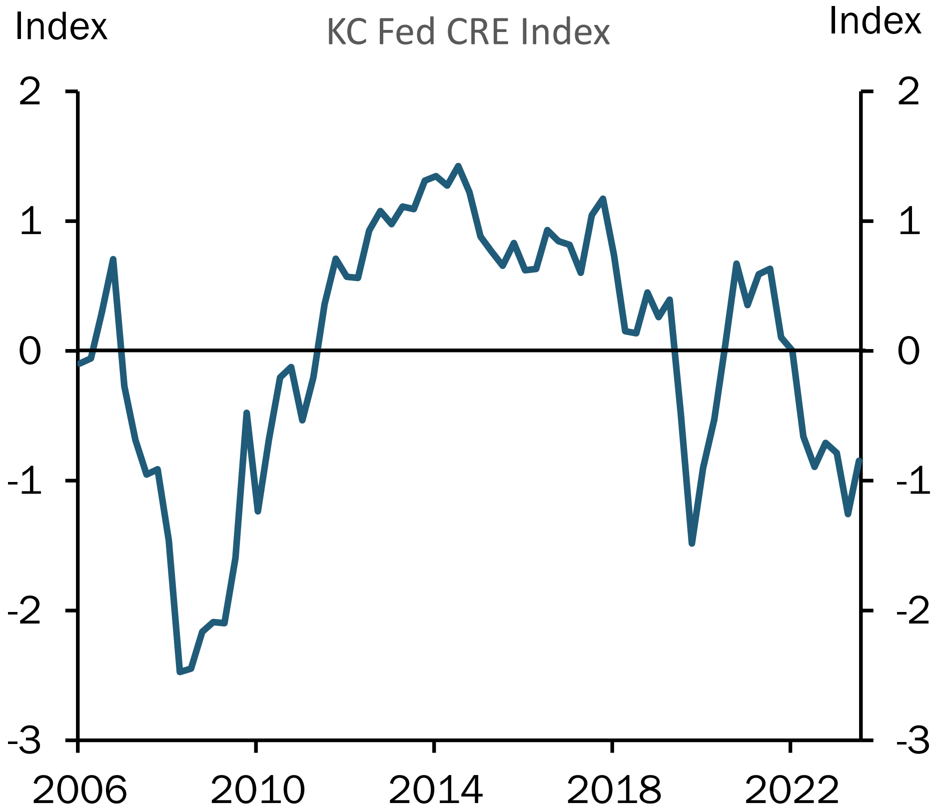
Source: KC Fed Surveys

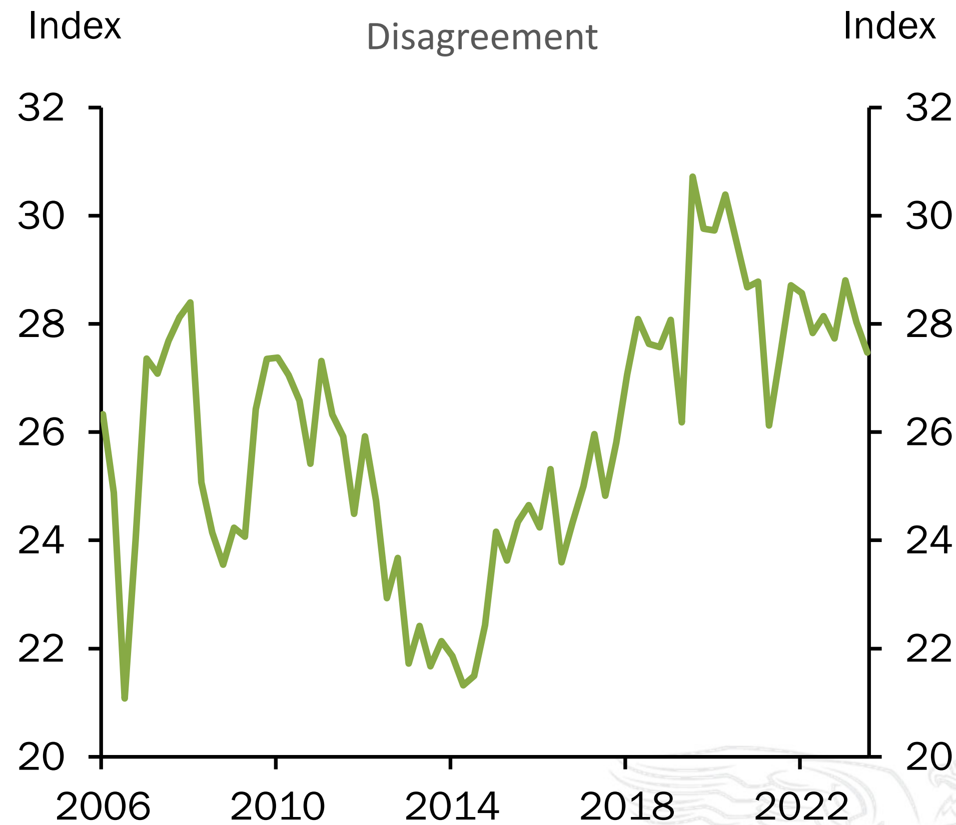
Credit spreads have narrowed as investor appetites for risk grew over the past several months



Source: FRED

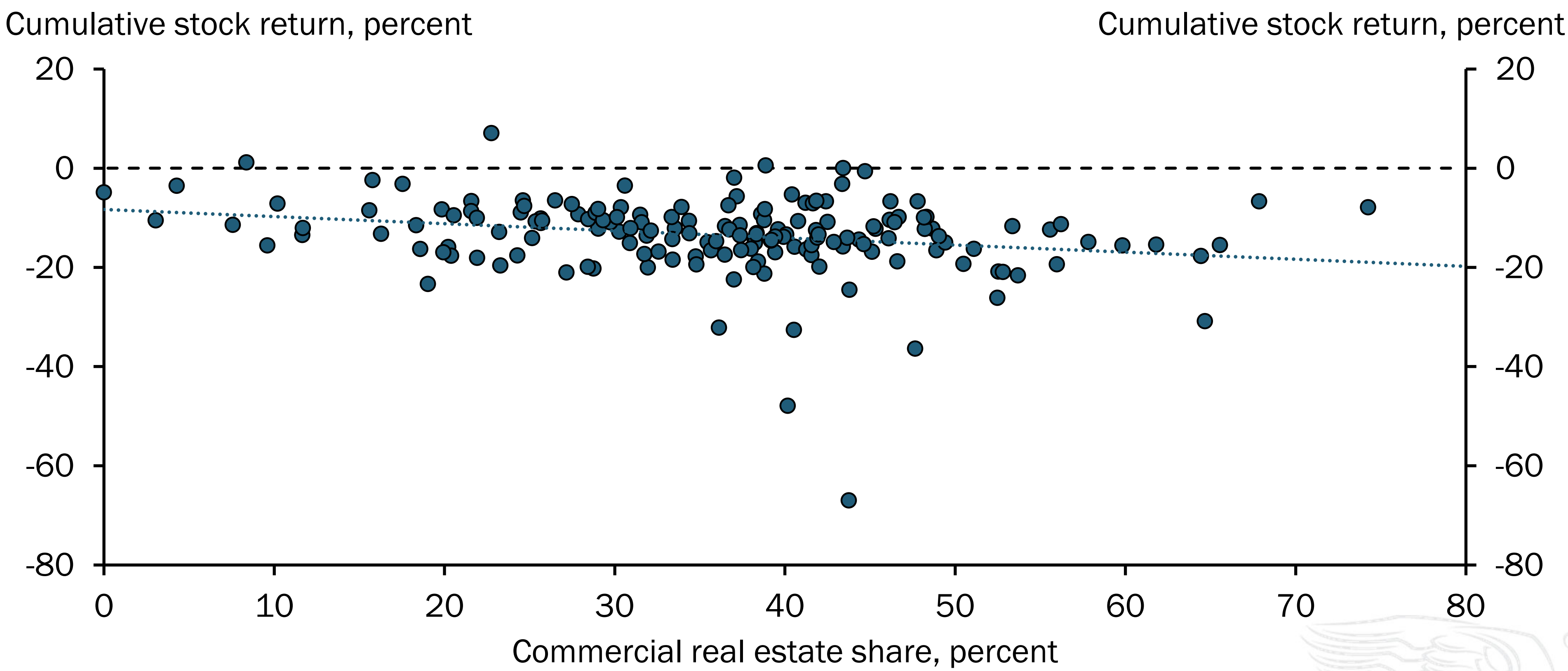
Commercial real estate activity is subdued across the region, but contacts report highly mixed conditions across markets and property types





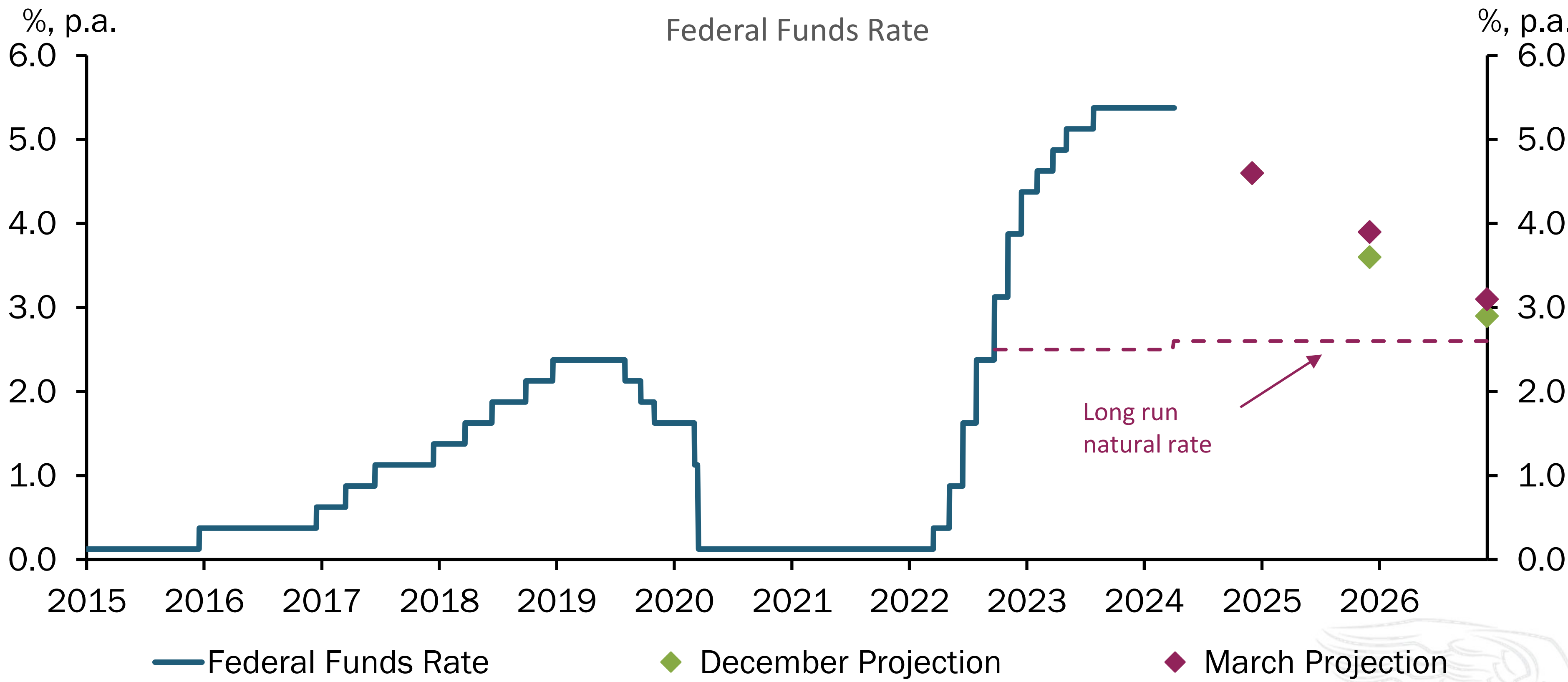
Source: KC Fed Beige Book Surveys, staff calculations

Higher CRE loan concentrations were associated with lower bank stock returns during a recent shock to the financial sector



Source: FFIEC, Bloomberg, FRED, Pandolfo and Marsh (2024)

The participants of the FOMC updated their projections for the path of the Federal Funds Rate at their meeting in March



Source: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Note: The dots correspond to the median projection among FOMC participants

Get the latest speeches:
www.KansasCityFed.org/Speeches

Get emailed the latest resource on economic topics